

ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (the "Agreement") is made and entered into as of October 27, 2000, by and between Los Angeles Chemical Company, a California corporation (the "Buyer"), and Angeles Chemical Company, Inc., a California corporation (the "Seller"), with reference to the following facts and contentions:

A. WHEREAS, Seller is engaged in the chemical distribution business, primarily selling solvent-based products, in Santa Fe Springs, California; and

B. WHEREAS, Seller desires to sell to Buyer the Purchased Assets, as hereinafter defined, as such assets pertain to the business of Seller; and

C. WHEREAS, Buyer desires to purchase the same from Seller.

NOW, THEREFORE, in consideration of the mutual agreements, covenants, representations and warranties contained herein, the parties hereto agree as follows:

**ARTICLE I  
SALE AND PURCHASE OF ASSETS**

1.1 Assets Being Sold and Purchased. Upon the terms and subject to the conditions of this Agreement, on the Closing Date (as defined in Section 3.1 hereof), Seller shall sell, transfer and deliver, or cause to be sold, transferred and delivered, to Buyer, and Buyer shall purchase from Seller, all of Seller's right, title and interest in and to the following assets, as the same shall exist on the Closing Date (hereinafter collectively referred to as the "Purchased Assets"):

- (a) Seller's list of customers as detailed on that certain document titled "Angeles Chemical Co.'s Customer File List, dated October 26, 2000," a copy of which is attached hereto as Exhibit A;
- (b) The "Bortz", "Bortzoil" and all other trade names owned by Seller, except for the name "Angeles Chemical Company", and all brand names and trademarks associated therewith; and
- (c) That certain equipment and machinery used in Seller's business and listed on Exhibit B attached hereto.

1.2 Assets Not Being Sold and Purchased. The Purchased Assets shall not include any assets not expressly set forth herein, including, without limitation:

- (a) All furniture, fixtures, tools, and other tangible assets or property used or held for use in connection with the business of Seller;

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(b) All of Seller's inventories of supplies, raw materials, work-in-process and finished goods, wherever located (the "Inventory");

(c) All of Seller's cash and trade receivables;

(d) Any outstanding shares of the capital stock of Seller or shares held as treasury shares; and

(e) All books of account, records, files, invoices, supplier lists and other data associated with, necessary to or used or employed in connection with the business of Seller.

1.3 No Liabilities Being Assumed. The parties hereby acknowledge that Buyer shall not assume, shall not take subject to and shall not be liable for, any liabilities or obligations of any kind or nature, whether absolute, contingent, accrued, known or unknown, of Seller, including, without limitation, the following:

(a) Any of Seller's trade payables;

(b) Any bank debt, line of credit or other indebtedness (whether current or long term) of Seller;

(c) Any liabilities or obligations incurred arising from or out of, or in connection with or as a result of claims made by or against Seller whether before or after the Closing Date;

(d) Any liabilities or obligations incurred, arising from or out of, in connection with or as a result of any alleged or actual defect in any product or in connection with any alleged or actual breach of warranty (whether express or implied) in relation to any product sold by Seller;

(e) Any liabilities or obligations to former or current officers, directors, employees, agents, or independent contractors of Seller;

(f) Any liabilities or obligations of Seller for any federal, state, local or payroll tax; and

(g) Any liabilities or obligations of Seller relating to the storage, spill, disposal, discharge or release of any Hazardous Material (as defined below) in, on or at the real property or ground or surface water on the real property now occupied by Seller at 8915 Sorensen Avenue, Santa Fe Springs, California 90670 or at any other real property now or previously occupied by Seller; and liabilities and obligations that were required to be disclosed to Buyer pursuant to this Agreement and that were not so disclosed. As used herein, the term "Hazardous Material" shall mean any hazardous or toxic substance, material or waste which is regulated by any local, state or federal governmental authority.

## ARTICLE II CONSIDERATION

2.1 Purchase Price. The total purchase price to be paid by Buyer to Seller shall be Two Hundred Fifty Thousand Dollars (\$250,000) (the "Purchase Price").

2.2 Payment of Purchase Price and Escrow. On the Closing Date, Buyer shall deposit the total Purchase Price (less any payments made to Seller's suppliers pursuant to Section 4.2 hereof) into an escrow account to be established by the parties with Comerica Bank - California located at 10900 Wilshire Boulevard, Third Floor, Los Angeles, CA 90024, Attention Michelle Loveall (the "Escrow"). The Escrow agreement shall contain the customary terms and conditions normally required by an escrow holder, as well as a provision stating that Seller's bank, Comerica Bank (the "Bank"), shall be solely authorized to receive any funds that are disbursed through Escrow to Seller.

2.3 Allocation of Purchase Price. The consideration for the transfer of the Purchased Assets shall be allocated as follows:

Customer List	\$25,000
Trade Names/Brand Names	\$25,000
Machinery/Equipment	\$200,000

2.4 Taxes. Buyer shall not be responsible for any business, occupation, withholding, or similar tax, or any taxes of any kind relating to any period before the Closing Date. However, Buyer agrees to pay all sales and use taxes, if any, arising out of the transfer of the Purchased Assets.

## ARTICLE III CLOSING

3.1 Closing Date and Place. The transfer of the Purchased Assets by Seller to Buyer shall take place on October 27, 2000 ("Closing Date"), at 12:00 p.m. at the offices of Buyer at 4545 Ardine Street, South Gate, California 90280, or at such other time and place as mutually agreed to by the parties.

3.2 Seller's Obligations at Closing. At the Closing, Seller shall deliver or cause to be delivered to Buyer (a) instruments of transfer for all Purchased Assets; and (b) a bill of sale for all Purchased Assets. Seller, before or after the Closing Date, shall execute, acknowledge, and deliver any further assignments, conveyances, or other assurances, documents, and instruments of transfer as reasonably requested by Buyer, and shall take any other action consistent with the terms of this Agreement that may reasonably be requested by Buyer for the purpose of assigning, transferring, granting, conveying, and confirming to Buyer, any or all property to be conveyed and transferred by this Agreement.

3.3 Buyer's Obligations at Closing. At the Closing, Buyer shall deposit or cause to be deposited into Escrow the Purchase Price.

3.4 Possession. At the Closing, Buyer shall be given exclusive possession of the Purchased Assets.

#### ARTICLE IV INVENTORY PURCHASES FROM SELLER

4.1 Purchases of Inventory. Buyer agrees to purchase Seller's raw materials and inventories in a finished product state (the "Inventory"). Buyer shall inventory the raw materials on or before October 30, 2000, and shall remit to Bank all net payment proceeds therefor, less \$99,381.12 which represents a prior advance from Buyer to Seller. On or before November 7, 2000, Buyer shall inventory and acquire the balance of Seller's finished goods and shall remit payment therefor directly to the Bank. Buyer shall be charged Seller's cost for all Inventory that Buyer purchases. Terms shall be net thirty (30) days following Buyer's purchase of supplies and raw materials and fifteen (15) days for purchases of finished goods and Buyer shall be required to deposit all payments into a "lockbox" account with Bank identified as account number 1891261016 at P.O. Box 51838, Los Angeles, CA 90051-6138.

4.2 Payments to Suppliers of Seller. In the event Seller lacks the necessary funds to make a payment to one of its suppliers that sells raw materials to Seller allowing it to produce finished product Inventory, Buyer, at its sole discretion, shall have the right to make such payment or to advance the necessary funds to Seller. Any payments made by Buyer shall be offset against money owed by Buyer to Seller for purchases of Inventory. The parties acknowledge that as of the date hereof Buyer has advanced Seller the sum of Ninety Nine Thousand Three Hundred Eighty One Dollars and Twelve Cents (\$99,381.12), and that Buyer shall offset this amount against money owed by Buyer for initial purchases of Inventory from Seller.

4.3 Dead Stock. Buyer shall have the right to return to Seller any Inventory that Buyer purchases from Seller and which Buyer is unable to sell within one hundred eighty (180) days of receiving same.

#### ARTICLE V REPRESENTATIONS AND WARRANTIES OF SELLER

Seller represents and warrants to Buyer, which representations and warranties shall be true and correct on the date hereof and through the Closing Date, as follows:

5.1 Organization and Authorization. Seller is and will be a corporation duly organized, validly existing and in good standing under the laws of the State of California with full corporate power and authority to enter into this Agreement and consummate the transaction contemplated herein. All requisite actions by the Board

of Directors and shareholders of Sellers to authorize and approve the transactions contemplated hereby have been duly taken.

5.2 Title to and Condition of Purchased Assets. Seller has good and marketable title to all of the Purchased Assets, which, as of the Closing Date, shall be free and clear of all restrictions on or conditions to transfer or assignment, and free and clear of all mortgages, liens, pledges, encumbrances, claims, charges, covenants, conditions and restrictions of every kind and nature, except for those liens held by the Bank or other parties and listed on Exhibit C attached hereto.

5.3 Absence of Adverse Proceedings and Liabilities. There is no litigation, action or proceeding, legal, administrative, equitable, or arbitration, or otherwise, pending or to Seller's knowledge and belief threatened which would affect Buyer's rights in or title to any of the Purchased Assets. Neither the execution and/or delivery of this Agreement nor the consummation of the transactions contemplated herein violate any order, writ, injunction, judgment, or decree of any federal, state or local court, department, agency or instrumentality or any agreement to which Seller is a party or by which Seller is bound.

5.4 Tax Returns. Within the times and in the manner prescribed by law, Seller has filed all federal, state, and local tax returns required by law and had paid all taxes, assessments, and penalties due and payable. There are no present disputes as to taxes of any nature payable by Seller.

5.5 Insurance Policies. Seller has maintained and now maintains (a) insurance on all of the Purchased Assets of a type customarily insured, covering property damage and loss of income by fire or other casualty, and (b) adequate insurance protection against all liabilities, claims, and risks against which it is customary to insure, including products liability coverage. All such policies are in full force and effect and Seller agrees to give Buyer no less than thirty (30) days' notice prior to canceling any of the policies.

Seller does not presently have any claims pending against any of its insurance policies; however, Seller reserves the right to initiate a claim, for failure to defend and indemnify Seller, in connection with a lawsuit between Seller/Bortz and Onyx Corporation (the "Onyx Litigation"). Notwithstanding any other provision of this Agreement, the parties agree that Seller may use the "Bortz" name as related to the Onyx Litigation and that any proceeds derived therefrom shall belong exclusively to Seller.

5.6 Trade Names, Brand Names and Trademarks. Seller has not infringed, and is not now infringing, on any trade name, brand name, or trademark belonging to any other person, firm or corporation. Seller owns, or holds other rights to use, all trade names, brand names, and trademarks necessary for its business as now conducted, and that use does not conflict with, infringe on, or otherwise violate any rights of others. Except for the Onyx Litigation, Seller

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has no notice or knowledge of any claimed conflict with, infringement or violation of the rights of another due to its use of any trade name, brand name, or trademark.

5.7 Compliance with Laws. Except for a notice of violation from the Fire Department concerning the installation of sprinklers, Seller has complied with, and is not in violation of, applicable federal, state, or local statutes, laws, and regulations, including without limitation, any applicable building, zoning, or other law, ordinance or regulation.

5.8 Environmental Matters. Seller has all federal, state and local environmental permits or other governmental approvals or applications required to conduct its business as presently conducted and to own and operate the Purchased Assets.

5.9 Seller's Experience. Seller and its principals have considerable experience in the chemicals business, and Seller warrants that it has had proper advice and consultation prior to entering into this Agreement.

5.10 Material Statements or Omissions. No representations or warranties of Seller contained herein contain an untrue statement of a material fact or omits to state a material fact.

#### ARTICLE VI REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Seller, which representations and warranties shall be true and correct on the date hereof and through the Closing Date, as follows:

6.1 Organization and Authorization. Buyer is and will be a corporation duly organized, validly existing and in good standing under the laws of the State of California with full corporate power and authority to enter into this Agreement and consummate the transaction contemplated herein. All requisite actions by the Board of Directors and shareholders of Buyer to authorize and approve the transactions contemplated hereby have been duly taken.

6.2 Broker Involvement. Buyer has not retained any broker, finder, investment banker or financial advisor in connection with this Agreement or the transactions contemplated herein.

#### ARTICLE VII SURVIVAL OF REPRESENTATIONS AND WARRANTIES

7.1 Except as otherwise provided herein, the representations, warranties, covenants, agreements and indemnifications of Buyer and Seller contained in this Agreement are deemed to be material, to have been relied upon by Buyer and Seller and shall survive the Closing for a period of eighteen (18) months after the Closing Date.

ARTICLE VIII  
BUYER'S CONDITIONS TO CLOSING

The performance by Buyer of its obligations hereunder are expressly contingent upon the following conditions being satisfied prior to or at the Closing Date, all of which, being solely for Buyer's benefit, may be waived by Buyer:

8.1 Accuracy of Seller's Representations and Warranties. All of the representations and warranties of Seller set forth herein shall be true and correct as of the Closing Date.

8.2 Performance by Seller. Seller shall have performed all covenants and agreements required hereby to be performed by Seller at or prior to the Closing Date.

8.3 Absence of Litigation. No action, suit or proceeding before any court or any governmental body or authority, pertaining to the transaction contemplated by this Agreement or to its consummation, shall have been instituted or threatened on or before the Closing Date. Notwithstanding the foregoing, Buyer is aware of the following three actions: (a) the Onyx Litigation; (b) a claim against Hanover Insurance Company ("Hanover"), an insurer of Seller, by a Mr. James Fox for alleged injuries suffered from a fire allegedly caused by the use of lacquer thinner distributed to Dunn Edwards; and (c) a claim against Hanover by a Ms. Brianna St. Onge for alleged injuries arising from a camping fuel fire/explosion.

8.4 Corporate and Shareholder Approval. The execution and delivery of this Agreement by Seller, and the performance of its covenants and obligations hereunder, shall have been duly authorized by all necessary corporate action and by a vote of shareholders of the Sellers, and Buyer shall have received copies of all resolutions pertaining to such authorizations, certified by the Secretary of Sellers.

ARTICLE IX  
SELLER'S CONDITIONS TO CLOSING

The performance by Seller of its obligations hereunder are expressly contingent upon the following conditions being satisfied prior to or at the Closing Date, all of which, being solely for Seller's benefit, may be waived by Seller:

9.1 Accuracy of Buyer's Representations and Warranties. All of the representations and warranties of Buyer set forth herein shall be true and correct as of the Closing Date.

9.2 Performance by Buyer. Buyer shall have performed all covenants and agreements required hereby to be performed by Buyer at or prior to the Closing Date.

9.3 Buyer's Corporate Approval. The Board of Directors and holders of a majority of the outstanding stock of Buyer shall have

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duly authorized and approved the execution and delivery of this Agreement and all corporate action necessary to properly fulfill the obligations of Buyer to be performed under this Agreement on or before the Closing Date.

#### ARTICLE X INDEMNIFICATION

10.1 Seller's Indemnity. Seller shall indemnify, defend and hold harmless Buyer, and its successors and assigns, against and in respect of any and all claims, demands, losses, costs, expenses (including reasonable attorneys' fees), obligations, liabilities and damages of any kind or nature that Buyer incurs or suffers in connection with (a) the claim of any third party for alleged liabilities arising out of transactions or events concerning the Purchased Assets or the conduct of Seller's business occurring on or before the Closing Date, or (b) the breach by Seller of any representation, warranty or covenant made by Seller herein.

10.2 Buyer's Indemnity. Excepting claims resulting from negligent or willful conduct of Seller, Buyer shall indemnify, defend and hold harmless Seller, and its successors and assigns, against and in respect of any and all claims, demands, losses, costs, expenses (including reasonable attorneys' fees), obligations, liabilities and damages of any kind or nature that Seller incurs or suffers in connection with (a) the claim of any third party for alleged liabilities arising out of transactions or events concerning the Purchased Assets occurring after the Closing Date, or (b) the breach by Buyer of any representation, warranty or covenant made by Buyer herein.

#### ARTICLE XI BULK SALES

11.1 Bulk Sales Compliance. The parties hereby waive compliance, to the extent possible, with the Bulk Sales Laws of the State of California.

#### ARTICLE XII NONCOMPETITION

12.1 Covenant Not To Compete. Seller and John Locke ("Locke") agree that they shall not at anytime within the three (3) year period immediately following the Closing Date, directly or indirectly engage in, or have any interest in any person, firm, corporation or business that is in competition in any manner whatsoever with the business of Buyer as it pertains to the Purchased Assets; provided, however, that Seller and Locke may engage or participate in such business if it is located outside the California counties of Los Angeles, Orange, San Diego, Riverside and San Bernardino.



ARTICLE XIII  
CONSULTING AGREEMENT

13.1 Consulting Agreement. In connection with the sale of the Purchased Assets to Buyer, Locke, on behalf of J.W. Locke & Associates, shall execute a Consulting Agreement with Buyer in substantially the form and substance as Exhibit D attached hereto. All consideration paid pursuant to the Consulting Agreement shall be separate and in addition to the price paid for the Purchased Assets.

ARTICLE XIV  
MISCELLANEOUS

14.1 Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of California.

14.2 Inurement and Binding Effect. This Agreement shall inure to the benefit of and be binding on the parties hereto, their respective executors, representatives, heirs, successors and assigns.

14.3 Severability. The provisions of this Agreement shall be deemed severable. In the event any of the provisions, or portions thereof, are held to be unenforceable or invalid by any court, the validity and enforcement of the remaining provisions, or portions thereof, shall not be affected thereby and shall remain in full force and effect.

14.4 Amendments. All amendments or modifications to this Agreement shall be in writing and shall be signed by each of the parties hereto.

14.5 Waiver. No waiver by either party or any failure or refusal by the other party to comply with its obligations herein shall be deemed a waiver of any other or subsequent failure or refusal to so comply.

14.6 Arbitration. Any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be settled by arbitration in accordance with the rules of the American Arbitration Association, and judgment upon the award rendered by any arbitrator shall be entered in any court having jurisdiction. The fees and expenses of the arbitrator shall be entirely borne by the losing party.

14.7 Notices. Notices required to be given under this Agreement shall be in writing and shall be given by personal delivery, by mail, facsimile or by telegram. Notice by personal delivery shall be deemed delivered upon handing a copy of the same to the party for whom it is intended. Notice by mail shall be deemed delivered three (3) business days after depositing the same, certified mail, postage prepaid, in the United States mail. Notice by telegram or facsimile shall be deemed delivered upon sending the telegram or facsimile, charges prepaid. All notices given hereunder by mail, telegram or

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facsimile shall be delivered to the party concerned to the following addresses:

To Buyer:  
Los Angeles Chemical Company  
Mr. Jeff C. Miller  
4545 Ardine Street  
South Gate, CA 90280-1987  
Fax: (323) 773-0909

To Seller:  
Angeles Chemical Company, Inc.  
Mr. John Locke  
8915 Sorensen Avenue  
Santa Fe Springs, CA 90670  
Fax (562) 945-3911

Either of the parties may designate an alternate address by written notice given to the other party in accordance with the terms hereof.


14.8 Entire Agreement. This Agreement contains the entire agreement between the parties with respect to the subject matter hereof and supersedes any prior or contemporaneous agreements, understandings or negotiations.

14.9 Counterparts. This Agreement and any document required by this Agreement to be executed by both parties may be executed in separate counterparts, each of which when so executed and delivered shall be deemed an original and all of which when taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

BUYER:

By:

  
David Miller, President

SELLER:

By:

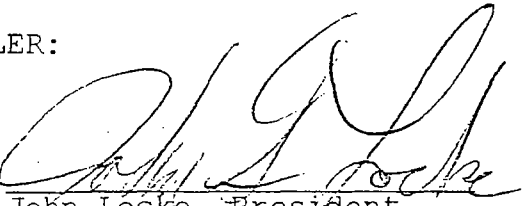
  
John Locke, President

EXHIBIT B  
SCHEDULE OF MACHINERY AND EQUIPMENT

3	Tanks - Advance Pacific 3000 Gallon #A670100, #A670101, and A670102	1	1979 Fruehauf Trailer (40 FT) #FRV106612
1	12 Head Filler - Binner Ellison #5095	1	1979 Fruehauf Trailer (27 FT) #FRV112024
1	Conveyor		
1	Tape Machine Model #RM-32F CAS #072489	1	1982 Beall Tanker Trailer (5 Compartment) #1BN2T4023CP144830
12	Hoses/Fittings		
1	Conveyor	4	Silk Screen Machine - Auto Roll Machine Corp #40019, #36506, #38943, and #34189
1	Air Compressor - Wood Industries #617412	2	Conveyors - California Conveyors Corp.
12	Hoses/Fittings	2	Ovens - Auto Roll Machine Corp
		1	Stitcher (for cartons) #C479XC
3	Pallet Jack (Standard) #R25660		Tank Probes Tank Shutoff Valves
1	Scale for Q.C. - Model #3025 #937199D		
1	Forklift - Komatsu F615H - #160160		
2	Forklift - Clark 223 - 6138MB & GCS20MB		
3	Drum Pickers		
2	Blackmer Pump #57E50-2180 & #LU025844		
1	Single Head Filler Model #A1 (2GAL) #B-5746		
2	Label Machine - Genesis		
1	Electric Conveyor		

EXHIBIT D  
CONSULTING AGREEMENT

THIS CONSULTING AGREEMENT (the "Agreement") is made and entered into as of October 27, 2000 by and between J.W. Locke & Associates ("Consultant"), and Los Angeles Chemical Company, a California corporation ("Company").

WHEREAS, as set forth in that certain Asset Purchase Agreement of even date herewith (the "Purchase Agreement"), Company is purchasing designated assets of Angeles Chemical Company, Inc. ("Angeles"); and

WHEREAS, John Locke ("Locke"), a member of Consultant's staff, has agreed in the Purchase Agreement not to compete with Company; and

WHEREAS, Locke is an officer and director of Angeles, and has acquired certain knowledge, expertise, contacts and information valuable to Company relative to the above transaction.

NOW, THEREFORE, in consideration of the Purchase Agreement, the mutual promises and covenants contained in this Agreement, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereby agree as follows:

1. Appointment of Consultant. Subject to the terms and conditions set forth in this Agreement, Company hereby appoints Consultant as Company's consultant during the term hereof.

2. Duties. During the term of this Agreement, Consultant shall render such consultation and advisory services and assistance as may be needed and requested by Company. In rendering such services, Consultant shall be expected to make Locke available to work approximately per diem (25) hours per week.

3. Term of Agreement. Unless sooner terminated under Section 8 hereof, the term of this Agreement shall be for a period of four (4) years, beginning on October 27, 2000 and ending on October 26, 2004.

4. Compensation. In exchange for his services, Consultant shall be paid the sum of 2.5% of Company's annual gross profits, as derived from the Purchased Assets (as defined in Section 1.1 of the Purchase Agreement), which Company earns during each of the next four (4) years. For purposes of computation, "gross profits" shall be defined as Company's selling price minus its delivered cost F.O.B. Company's South Gate, CA facility minus freight costs (for those deliveries outside of Company's normal delivery area). Also, if Company packages products at its facility, a labor rate of forty dollars (\$40.00) per hour shall be included as a cost to be deducted from Company's selling price.

Company shall pay Consultant four times per year on a calendar quarterly basis. The first payment shall be due no later than thirty (30) days after December 31, 2000, and each remaining payment shall be due no later than thirty (30) days after each subsequent quarter.

5. Reimbursable Expenses. Subject to prior written approval, Consultant shall be entitled to reimbursement for approved expenses incurred on behalf of Company.

6. Authority and Capacity. Nothing contained herein shall be construed so as to create an employer-employee, agency, partnership, or joint venture relationship between the parties. Consultant is an independent contractor, is not an agent of Company, and is not authorized to waive any right or to incur, assume or create any debt, obligation, contract or release of any kind whatsoever in the name of or on behalf of Company. Company shall have no power or authority to exercise any control over Consultant's time or when and how he performs services for Company.

Consultant acknowledges and agrees that he is a self-employed independent contractor and that he shall not be deemed to be an employee of Company for any purpose whatsoever, including, but not limited to, eligibility for: (i) inclusion in any retirement benefit plan for the employees of Company; (ii) sick pay; (iii) paid non-working holidays; (iv) paid vacations or leave days; and (v) participation in any medical insurance plan or other fringe benefit plan for the employees of Company.

7. Morals. Consultant agrees that during the term of this Agreement he shall conduct himself with due regard to public conventions and morals, and that he shall not do anything which will tend to degrade him into public disrepute or contempt, or that will shock, insult, or offend the community or public morals of decency or that will be incompatible with the best interests of Company.

8. Termination. Company shall have the right to terminate this Agreement at any time, with or without cause. However, regardless of the time of premature termination, Company shall nevertheless be required to pay Consultant the compensation set forth in Section 4 at the times specified therein, unless said termination is for substantial cause, or if Consultant commits a felony during the term of this Agreement, willfully fails or refuses to perform his duties as required by this Agreement, or commits a breach of Section 7 above.

9. Confidential Information. Consultant acknowledges that during the term of this Agreement he shall have access to and become acquainted with information concerning the operation of Company, and that such information is owned by Company and regularly used in the operation of Company's business ("Confidential Information"). Consultant agrees that he shall not disclose any Confidential Information in any way, either during the

term of this Agreement or at any time thereafter, except as is required under the terms of this Agreement. Consultant further agrees that all files, records, documents, equipment, and similar items relating to Company's business, whether prepared by Consultant or others, are and shall remain the exclusive property of Company and that he shall return any such items in his possession upon termination of this Agreement.

10. Indemnification. Consultant hereby agrees to protect, defend, indemnify and hold harmless Company from all sums, costs, expenses, and attorneys' fees which Company may incur, or be obligated to pay as a result of any and all claims, demands, tax liabilities, causes of action or judgments of every nature whatsoever arising out of or in connection with the acts or omissions of Consultant or Consultant's agents under this Agreement.

11. Miscellaneous.

(a) Governing Law. The parties hereby agree that this Agreement shall be governed by and construed and enforced in accordance with the laws of the State of California.

(b) No Assignment. This Agreement and the rights, duties, and obligations hereunder may not be assigned or delegated by any party without the prior written consent of the other party.

(c) Amendments. This Agreement may not be amended, changed or modified except in writing and signed by both parties.

(d) Severability. The provisions of this Agreement are severable. If any of the provisions, or portions thereof, are held to be invalid or unenforceable by any court or tribunal, the validity and enforcement of the remaining provisions, or portions thereof, shall not be affected thereby and shall remain in full force and effect.

(e) Attorneys' Fees. In the event of a controversy or dispute concerning this Agreement, the prevailing party in such action shall be entitled to, in addition to such other relief as may be granted, reasonable attorneys' fees and costs.

(f) Entire Agreement. This Agreement constitutes the sole and only agreement of the parties regarding the subject matter hereof. Any prior or contemporaneous agreements, promises, negotiations or representations concerning its subject matter not expressly set forth herein are of no force or effect.

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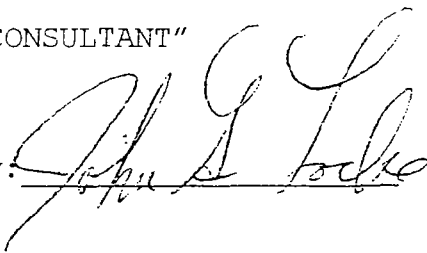
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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

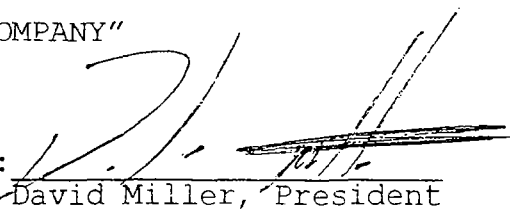
"CONSULTANT"

By:

Handwritten signature of John S. Locke in cursive script.

"COMPANY"

By:

Handwritten signature of David Miller in cursive script, followed by a horizontal line.

David Miller, President